

FLA Audit Profile	
Country	INDONESIA
Factory name	07025056B
IEM	BV CPS-SA
Date of audit	JUNE 11-13, 2003
PC(s)	NIKE, Inc., REEBOK INTERNATIONAL LTD.
Number of workers	1050 (production workers)
Product(s)	jackets, pants, shirts
Production processes	cutting, sewing, QC (inspection), packing/finishing
Other brands in factory	

FLA Code/ Compliance issue	Findings				Remediation			
	Benchmark or legal reference	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Completion Date		PC Follow-up & Verification
1. Code Awareness								
Awareness of local laws / regulation	Recommendation: The factory shall have and post local labor laws and health and safety regulations in the factory.	The factory did not post labor laws and health and safety regulations in factory	Per visual observation		Factory must post labor laws and health and safety regulations in accordance with local labor law.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has posted labor permits and safety laws per local labor regulation (see photo attached)		Reebok's local monitor will work with Nike and with the factory to close out this issue, and to determine ongoing compliance with code and regulation posting standards.
Awareness of local laws / regulation	FLA Principals of Monitoring, Obligation of Companies: Employers will communicate orally and in writing to all employees in the language of the worker the wages, incentive systems, benefits and bonuses to which all workers are entitled in that company and under applicable law.	Based on management information & visual observation, there are no posting of Company Regulation. Based on workers' interview, most of interviewed workers do not understand the content of Company Regulation.	Mgmt Interview, visual inspection, worker interviews		The factory will communicate its company regulations through: 1) Posting factory regulations that can be easily viewed by workers. 2) Conducting periodic training of factory regulations to workers. Training must be documented.	1) Posting to be completed by 10/31/2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has posted the factory regulation at the workplace 2) Worker training to commence by 10/31/2003. NIKE will follow up early November to check completion. Dec, 2003 update: The training has not yet commenced. This issue has been discussed with the factory and the new training commencement date has been set (1st week of January 04). Nike will follow-up on its completion.		Reebok's local monitor will work with Nike and with the factory to develop communication channels for employees on company regulations, and will continue to monitor the factory's compliance with code awareness standards.
2. Child Labor								
Inadequate age documentation	FLA Benchmark Child Labor: Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	Certificate of last education which stated also the birth date can be taken as the appropriate age documentation, however (some) files checked did not have photo copies of picture ID in their personal records (files).1. Also (some) additional workers found to not have personal records (files) at all.	Per document review		The factory will recompile missing personnel documentation as identified through this audit. This will include each personnel file to retain a copy of valid proof of age.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has recompiled and completed the missing documentation identified by the audit including completing the personnel file with copy of valid proof of age.		Reebok's local monitor will work with Nike and with the factory to develop internal systems for age verification, and will continue to monitor ongoing compliance with age documentation requirements.
3. Forced Labor								
		No Violations Observed						
4. Harassment or Abuse								
		No Violations Observed						
6. Health and Safety								
Fire Safety	Country Law: PER-04/MEN/1980, - Article 4 (1) stated: Every fire extinguisher must be placed on the visible position, easy to reach and provided with mark/sign. - Article 6 (1) stated: Every fire extinguisher must be placed by hanging on the wall with strengthen construction OR placed on the unlocked box. - Article 14 stated : Operating/using instruction for fire extinguisher must be readable and easy to understanding. FLA Benchmark, Health and Safety: All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be in place, maintained as prescribed and accessible to the employees	At least seven fire extinguishers are not provided with using instruction in local language (Indonesian); three at warehouse, two at embroidery checking section, two at sewing near line 5, one at marking section. At least five fire extinguishers are not provided with marking; two at warehouse, two at embroidery checking section, one near toilet. Two fire extinguishers at sewing section near line 5 found on floor. One fire extinguishers at warehouse found obstructed.	Per visual observation		Factory must update instructions on the identified fire extinguishers into Indonesian language.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: Factory has provided fire extinguishers with instructions in Indonesian language and mounted fire extiguishers per the standard.		Reebok's local monitor will work with Nike and with the factory to develop fire safety systems and programs to close out this issue, and will continue to monitor ongoing compliance with fire safety standards.

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PPE	Country Law: Labor law No.1/1971 (UU No. 1/1970), regarding health and safety working condition, article 14(c) stated: employer is responsible to provide for free all protective equipment including the necessary using instruction to the entitled workers or visitor entering the workplace and Labor minister regulation No.01/1981 (PER-01/MEN/1981) regarding obligation to report all sickness caused by accidents during working hours, article 4.3 stated that the employer shall provide free personal protective equipment needed, which are obliged to be used under his management to prevent sickness caused by accidents during working hours. FLA Benchmark, Health and Safety: Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	No rubber gloves and respiratory masks for workers at spot cleaning section using chemical 233BF.	Per visual observation		The factory will provide rubber gloves and respiratory masks to workers at the spot cleaning section who use chemical 233BF.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has provided the respective worker with a proper respiratory masks, however it is found that the rubber glove provided is not the proper one. The factory has been advised to replace the glove per the standard (see photo attached). Nike will follow up on this issue.	Reebok's local monitor will work with Nike and with the factory to develop operational safety systems and programs to close out this issue, and willc continue to monitor ongoing compliance with operational standards.	
Aisle space blocked	FLA Benchmark Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Aisle spaces at sewing section near line 1 & line 7 are blocked.	Per visual observation		Aisle spaces at sewing section near line 1 and line 7 will be unblocked.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November about completion. Dec, 2003 update: The factory has cleared up the obstruction at respective area (see photo attached)		Reebok's local monitor will work with Nike and with the factory to close out this issue, and will continue to monitor ongoing compliance with health & safety standards.
Emergency Light	Country Law: Labor minister regulation No.07/1964 (PER-07/1964), regarding health and safety of work area article: 13 stated: Exit, alley, etc leading to the outside must have emergency light and must be visibly marked. FLA Benchmark Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	No emergency light provided for stairwells near cutting section.	Per visual observation		The factory must install emergency lighting in the stairwell near the cutting section.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has provided the emergency lighting in the stairwell near the cutting section.		Reebok's local monitor will work with Nike and with the factory to develop fire safety systems and programs to close out this issue, and will continue to monitor ongoing compliance with fire safety standards.
Machinery guards	Country Law: The safety act No.1/1971 (UU No. 1/1970), regarding health and safety working condition, article 4.1 stated that as working safety devices, it requires planning of installation on production instruments that pose high injury risks and labor minister regulation No.01/1980 (PER-01/MEN/1980) regarding machines protectors, article 42.1 stated: the machineries shall be installed with proper protectors to guarantee worker safety. FLA Benchmark, Health and Safety: All the production machinery and equipment shall be maintained, properly guarded, and operated in safe manner	All machines are not equipped with needle guard, approximately 4 out of 70 machines at each line of total 11 lines in sewing section are not equipped with pulley guard.	Per visual observation		The factory must install required needle guards and pulley guards on sewing machines.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory is in ongoing process of completing the guards (needle and pulley). The completion date has been reset to end of February 04 (see photo attached) Nike will follow up on this item.		Reebok's local monitor will work with Nike and with the factory to develop operational safety systems and programs to close out this issue, and will continue to monitor ongoing compliance with operational safety standards.
Exit door locked	FLA Benchmark, Health and Safety: All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	One exit door near toilet found locked.	Per visual observation		The factory will unlock the exit door near toilet.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has unlocked the exit door near toilet..		Reebok's local monitor will work with Nike and with the factory to develop fire safety systems and programs to close out this issue, and will continue to monitor ongoing compliance with fire safety standards.
Safety and accident record	FLA Benchmark, Health and Safety: All safety and accident reports shall be maintained for at least one year, or longer if required by law.	Incomplete medical record; last record found (as stated in the book) for clinic is on May 22,2003; last record (as stated in the book) for medicine demand is on January 4,2003. Incomplete accident record; last record found (as stated in the book) is on November 19, 2002. Incomplete broken needle record; missing record on May 8-11 and May 14 – June 5, 2003.	Per document review		Factory must keep complete medical, accident, broken needle, and medicine supply records according to the requirement specified by law.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has maintained the medical records in accordance with local law. (see photo attached)		Reebok's local monitor will work with Nike and with the factory to close out this issue, and to monitor ongoing compliance with documentation standards.
Posting of laws	Country Law: The safety act No.1/1970 (UU No.1/1970), regarding the obligation of the employer, chapter X article 14; stated that employer must display clear and legible written notices and safety posters describing all statutory health and safety requirements, including a copy of the Safety Act of 1970 and consequent regulations. FLA Benchmark, Health and Safety: Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	No posting of the safety act UU No.1970 regarding the health &safety working condition.	Per visual observation	Nil	The factory will post the safety act UU No. 1970 in accordance to the local regulation.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 updated: The factory posted the health and safety laws.		Reebok's local monitor will work with Nike and with the factory to close out this issue, and to determine ongoing compliance with code and regulation posting standards.

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Sanitation	FLA Benchmark Health and Safety: All facilities including factory buildings, toilets, canteens, kitchens, and clinics, shall be kept clean and safe and be in compliance with applicable laws.	The factory does not provide sinks and soap. It was also noted that there is no methods of drying provided (i.e. paper towel).	Per visual observation & workers' interview		The factory must provide sinks, soap, and hand drying method.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has equipped worker toilets with hand dryer, sinks and soap (see photo attached).	Reebok's local monitor will work with Nike and with the factory to close out this issue, and to monitor ongoing compliance with health & safety standards.
Air/Water quality	Country Law: Labor Minister Regulation (PER-07/1964), article 8.5(e) stated that water for drink water shall be tested by health laboratory. FLA Benchmark, Health and Safety: Employer will comply with applicable health and safely laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits	No testimonial of drinking water for production workers.	Per visual observation & record review		The factory must arrange the drinking water testing to authorized testing institution and obtain the testimonial letter for a standard drinking water.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has arranged drinking water testing and obtained related testimonial accordingly.	Reebok's local monitor will work with Nike and with the factory to close out this issue, and to monitor ongoing compliance with health & safety standards.
7. Freedom of Association and Collective Bargaining							
8. Wages and Benefits		No Violations Observed					
Lack of legal benefits	Country Law: This violates labor law No.13/2003 (UU No.13/2003) regarding women workers, chapter X paragraph 4 article 82.1, stated that female worker/labor entitled to obtain rest time during 1.5 months before in time bear a child and 1.5 months after bear a child according to the calculation by relevant doctor or midwife and labor law No.13/2003 (UU No.13/ 2003) regarding women workers, chapter X paragraph 4 article 84, stated that every worker/labor who entitled to rest time in the same manner as mentioned in the article 82 be entitled to obtain fully wage. FLA Benchmark Wages and Benefit: Legally mandated benefits will be provided or paid in full within legally defined time periods	Based on record review, the payment for 3 months maternity leaves are paid below the requirement. It was noted, worker at (...) section received Rp 253,900 + Rp255,800 + Rp 228,500 + Rp 311,800 + Rp 233,500 + 350,000 = Rp 1,653,500. While the legal minimum wage per month is Rp 631,000. Three months paid maternity leaves should be 3 x Rp 631,000 = Rp 1,893,000.	Per mgmt information & document review		The factory must pay back the discrepancy between what was paid and what is legally due to this particular worker.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has completed the back pay of all discrepancies related to this issue.	Reebok's local monitor will work with Nike and with the factory to close out this issue, and to monitor ongoing compliance with wage and benefits standards.
Minimum Wage	Country Law: Decision Letter of Bupati Bekasi region No.561/Kep.369/Kep.Disnaker/2002 of new Legal Minimum Wage 2003: Rp 631,000.. FLA Benchmark Wages and Benefit: Legally mandated benefits will be provided or paid in full within legally defined time periods	It was noted that employees have only just received wages in compliance with the new legal minimum wage of 2003 that should have started in January, starting in April 2003. The lack of payment form consists of 6 columns; the name of the workers, the previous wage per day, the new wage per day, the previous wage per month, the new wage per month, and the lack of payment resulted. No columns for the number of the day the employees had worked and no columns for the lack of overtime payment since the previous calculation (Jan – April first period 2003) was still using the incorrect legal minimum wage. In conclusion, the factory still had 6 periods for the lack of payment that they still have to pay; Jan to March 2003, each has two period of payment and those lack of payment need to cover lack of basic wages and lack of payment of correct overtime wages.	Per mgmt information & record review.		Factory must recalculate and pay back the difference in wages and overtime for the period between January 2003 through March 2003.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 updated: The factory has completed the back pay of all discrepancies related to this issue.	Reebok's local monitor verified that the factory has made back-pay regular and overtime wage payments to workers, and that the factory has collected worker's signatures to that effect as verification. Reebok's local monitor will work with Nike and with the factory to develop proper payroll and wage systems to address this issue in the future, and will continue to monitor ongoing compliance with wage standards.
Records for training workers	FLA Benchmark, Wages and Benefits: All legally required payroll documents, journals and reports will be available complete, accurate and up-to-date.	No attendance and payroll records provided for training workers.	Per record review		Factory must implement attendance and payroll records for workers in training.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The follow up visit found that the related documentation provided by the factory is not adequate. The factory has been advised to develop a better system to address this issue systematically to avoid recurrence issue. PC will follow-up on this item.	Reebok's local monitor has verified that the factory has developed a system for providing all of the factory's training workers with information on their attendance and payroll. Reebok's local monitor will continue to work with Nike and with the factory to monitor ongoing compliance.

Findings		Remediation					
FLA Code/ Compliance issue	Benchmark or legal reference	Monitor's Findings	Documentation	Best Practice	PC remediation plan	Completion Date	PC Follow-up & Verification
Social Benefit	Country Law: Local law Undang-undang No. 3 / 1992 article 22.1 stated: Employer must pay the fee and collects the fee that becomes the employee obligation through wage's deduction and paid to the executive bureau in term determined by the government. Government regulation No. 14 / 1993 article 10.1 stated: Payment of fee by the employer to the executive bureau is executed monthly in cash and not more than day of 15th on the next month. FLA Benchmark Wages and Benefit: Legally mandated benefits will be provided or paid in full within legally defined time periods	Based on management information, the latest payment of Jamsostek was on December 2002, while deduction of worker's wage for JAMSOSTEK was made till May 2003. However, the factory does not provide any document payment of Jamsostek (Social Security Scheme) by the auditors which makes the auditors cannot verify the total number of workers participating in Jamsostek currently.	Per mgmt information & record review.		Factory must follow labor law in withholding and payment of Jamsostek premium and must maintain documentation.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has completed the payment for the Jamsostek up to October 03. PC will continue to monitor this item.	The factory has submitted documentation to Nike's and Reebok's monitor which demonstrates that the factory has paid the Jamonstetek payment from January 2003 through August 2003. The factory is currently working with the Jamsostek office to obtain details of its Jamonstetek payments based on salary lists for 2003, in order to submit documentation to Reebok and Nike for verification. Factory management has committed to payment of its Jamonstek contributions for September through December 2003, once they receive detailed calculations from its payments the first half of the year. For 2004, the factory has elected to meet Indonesian law by providing an in-house health care service, with coverage equal to or better than provided by Jamsostek. The facoty is in process of plannign for this clinic.
9. Hours of Work							
Lack of one day off in seven	FLA Benchmark, Hours of Work: Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Based on attendance record review, it was noted overtime working in rest days which caused total consecutive days = 30 days (one whole month) in June 2002 & Nov 2002. In June 2002, noted for (some) workers in sewing section & 18 workers in packing/finishing section. In November 2002, noted for (some) workers in QC section, (some) workers in cutting section, (some) workers in packing/finishing section.	Per document review		Factory must provide one day off in seven according to local labor law.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has developed a monitoring system so that workers will have one day off in seven.	Reebok's local monitor will work with Nike and with the factory to develop rest day policies and systems for their implementation, and will continue to monitor ongoing compliance with working hours and rest day standards.
Overtime hour	FLA Benchmark, Hours of Work: Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts.	Maximum overtime per day found = 7 hours/day (total working hours = 14 hours/day). Noted for (X) workers at packing/finishing section on May 29, 2003. Maximum overtime per week found is 26 hours/week (total working hours = 66 hours/week). Also noted for a worker at packing/finishing section for period Nov 25 – 30, 2003.	Per document review		Factory must comply with the working hours stipulated in local labor law.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has developed a monitoring system so that workers work hours will not exceed local regulations and 60 hours per week standard. This issue will be monitored by PC on a regular basis.	Reebok's local monitor will work with Nike and with the factory to develop working hour policies and systems for their implementation, and will continue to monitor ongoing compliance with working hours standards.
10. Overtime Compensation							
Incorrect wage rate for OT	Country Law: This violates Labor law No.13/2003 (UU No.13/2003), regarding working hour, chapter XI paragraph 4 article 77.2 stated that normal working hour is 7 hours/day and 40 hours/week and Labor minister decision No.72/1984 (Kep. 72 / MEN / 1984), regarding the calculation of basic overtime wage, article 4 stated that total overtime hours calculation for normal working days (in this factory are Mon to Sat) : 1st hour OT working calculated by 1.5 and the next OT hours are calculated by 2. For Sundays and other national holidays : 7 first overtime working hours are calculated by 2, the 8th OT working is calculated by 3 and the next OT hours are calculated by 4. Wages per hour calculation is: 1/173 x monthly wages OR 3/20 x daily wages OR 1/7 x average of daily wages (for piece-rate workers).	Based on record review, there is lack of overtime hours in April and May 2003 period. On May 15 & May 30, 2003 which are holidays as government regulation, employees were not paid overtime unless the worked more than 5 hours/day. On May 17 & May 31, 2003 which are rest days, workers not paid overtime unless they worked more than 7 hours/day. Also for April 19, 2003 which is rest days per government regulation, employees worked but not paid overtime unless they worked more than 5 hours/day.	Per document review		Factory must correct OT computation to meet the local labor law for holidays and rest days. For holidays and rest days identified in the audit, factory must recalculate and pay back the difference.	Completion Deadline: Oct 31, 2003. NIKE will follow up early November to check completion. Dec, 2003 update: The factory has corrected the OT rate computation in accordance to local law. The factory has also paid back the workers the discrepancy in regard to this issue.	Reebok's local monitor verified that the factory has made back-pay overtime wage payments to workers, and that the factory has collected worker's signatures to that effect as verification. Reebok's local monitor will work with Nike and with the factory to develop proper payroll and wage systems to address this issue in the future, and will continue to monitor ongoing compliance with wage standards.